



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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More Evidence of Republicans' Broken Economic and Budget Strategy

Dear Democratic Colleague,

Just in the last day, the Government released two pieces of bad economic news confirming that the Bush budget is broken. This morning, the Commerce Department announced that durable goods orders dropped by almost 6% in September, the biggest monthly drop in ten months. And even more worrisome, OMB last night reported a deficit of \$159 billion for fiscal year 2002.

This 2002 budget deficit is:

\$286 billion worse than the 2001 budget surplus of \$127 billion,

\$395 billion worse than the record \$236 billion surplus in the last year of the previous Democratic administration, and

\$390 billion worse than the Bush administration projected when it took office.

During the most recent Democratic administration, the budget improved for eight consecutive years, culminating in surpluses for fiscal years 1998 through 2000. The last of these surpluses was the largest in American history — a surplus large enough to preserve both the entire Social Security surplus and the entire Medicare surplus for the first time in history.

The current administration, by contrast, has presided over the most severe fiscal reversal in our history — a deterioration of the ten-year budget outlook of more than \$5 trillion. When President Bush took office in early 2001, budget projections showed large surpluses outside of Social Security and Medicare for as far as the eye could see. Now, even the White House's own rather optimistic projections show the Social Security and Medicare Trust Fund surpluses being invaded for the next decade and beyond.

It is important to note two aspects of today's worrisome budget news:

First, according to the White House's own figures, the single biggest reason for the disappearance of the surplus over the next decade is the Republican tax cut. The long-term budget outlook was deteriorating before September 11, 2001. In the summer of 2001, the non-partisan CBO had already calculated that the ten-year budget outlook had deteriorated by more than \$2.2 trillion. The Republican tax cut of 2001 had drained the surplus to an extent that left no room for unforeseen problems — so even before September 11 the budget had fallen over the edge.

And second, the budget outlook actually is worse than the official White House projections admit. The Bush administration's claim that the budget will return to a unified balance in three years assumes:

- ▶ that economic growth will immediately re-accelerate to its pace during the late 1990s,
- ▶ that incomes related to the stock market will rebound smartly, and
- ▶ that the burgeoning problem of the alternative minimum tax (AMT), which the Bush tax cut made worse, can be ignored.

On top of this rosy scenario, the fact that individual income tax receipts for the fiscal year came in \$15 billion lower than the administration estimated just three months ago could be signaling more bad budget news to come.

The latest news confirms what Congressional Democrats have been saying and the American people have been experiencing for months: the Bush economic policies have failed. But far from recognizing their failure, Republicans remain steadfast in their support for even bigger tax cuts.

It is well past time for the President and his Republican allies in Congress to sit down to bipartisan budget negotiations. Bipartisan negotiations were essential to achieving surpluses in the past, and only they can plausibly chart a path back to fiscal control in the future.

Sincerely,

John M. Spratt, Jr.
Ranking Member